17 November 2022
Agenda Paper 8

IASB General Update

Executive Summary

Project Type	Monitoring
Project Scope	Various

Purpose of the paper

This paper provides the Board with an update on projects the Secretariat is currently monitoring, including the work of the IFRS Interpretations Committee. As agreed with the Board, the Secretariat proactively monitors a range of projects being undertaken by the IASB and IFRS Interpretations Committee. This is undertaken to inform the Board about the progress and decisions being made by the IASB on active projects. Discussion by the Board may also help inform interactions with international standard setter meetings, including the IASB's Accounting Standards Advisory Forum.

Summary of the Issue

Updates on all the IASB projects the Secretariat is currently monitoring are provided in this paper. Comments or questions are welcomed on any topic, although the paper presents separately those topics the Secretariat suggests are prioritised for discussion and those presented as simply for noting. Topics identified for discussion are listed below (those expected to be discussed at the December 2022 ASAF meeting are marked with *):

- Amendments to the Classification and Measurement of Financial Instruments
- Business Combinations under Common Control*
- Equity Method*
- Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers**
- Primary Financial Statements*
- Provisions—Targeted Improvements*

Decisions for the Board

The Board is not asked to make any decisions.

Board members are asked for any questions or comments on the updates provided in this paper. In addition, the Board is asked specific questions on the following topics:

- **Business Combinations under Common Control**

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- Does the Board wish to highlight to the December ASAF meeting any particular points on the practical exemptions from the acquisition method?

- **Equity Method**
  - Do Board members have any comments on the ASAF question "how should an investor recognise gains and losses that arise from the sale of a subsidiary to its associate applying the requirements of IFRS 10 and IAS 28"?
- **Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers***
  - Do Board members have any advice on matters to be considered in the Post-implementation Review of IFRS 15?
- **Primary Financial Statements**
  - At this time we do not know what (if any) questions on the IASB's targeted outreach on Primary Financial Statements will be asked at the December 2022 ASAF meeting. Are there any particular points on the targeted outreach that the Board wishes to highlight to the forthcoming ASAF meeting?
- **Provisions—Targeted Improvements**
  - Do Board members have any comments on (i) whether discount rates for provisions should reflect the entity's own credit risk, and if so, in what circumstances; or (ii) whether financial statements currently disclose enough information about the rates companies use to discount provisions?

Recommendation

N/A

Appendices

Appendix A	List of IASB projects
Appendix B	Business Combinations under Common Control - Summary of Discussions
Appendix C	Disclosure Initiative: Targeted Standards-level Review of Disclosures - Summary of Discussions

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Topics for Discussion

Amendments to the Classification and Measurement of Financial Instruments[1]

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft H1 2023	UKEB project page

1. On 24 October 2022, the IASB announced its decision to expand the scope of its proposed narrow-scope amendments to IFRS 9 *Financial Instruments*. The aim of the proposed amendments is to respond to stakeholders' feedback on the IASB's *Request for Information Post-implementation Review of IFRS 9 – Classification and Measurement*.

2. The initial project, *Contractual Cash Flow Characteristics of Financial Assets (Amendments to IFRS 9),* was focused on clarifying particular aspects of IFRS 9 relating to the assessment of an asset's contractual cash flow characteristics (that is, the 'solely payments of principal and interest' or SPPI requirements).

3. The revised project, now referred to as *Amendments to the Classification and Measurement of Financial Instruments*, will cover three areas:

    a) Contractual cash flow characteristics – clarification of the requirements in IFRS 9 *Financial Instruments* to assess whether a financial asset's contractual cash flows are solely payments of principal and interest (SPPI) and new requirements to disclose information about the variability in contractual cash flows for financial assets and financial liabilities not measured at fair value through profit or loss.

    b) Electronic cash transfers – proposed amendments to the derecognition requirements in IFRS 9 to permit an accounting policy choice to allow an entity to derecognise a financial liability before it delivers cash on the settlement date when specified criteria are met.

    c) Equity instruments and other comprehensive income – proposed amendments to IFRS 7 *Financial Instruments: Disclosures* would require disclosure of the aggregated fair value of equity investments for which the OCI presentation option is applied at the end of the reporting period; and changes in fair value recognised in other comprehensive income during the period.

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[1] Previously called Contractual Cash Flow Characteristics of Financial Assets (Amendments to IFRS 9)

4. **Expected timeline:** An Exposure Draft for the revised project is expected in H1 2023 (the ED for the initial project was expected in Q1 2023).

5. A high-level summary of the IASB's recent tentative decisions – on the topics covered in the revised scope for this project - is presented in the following paragraphs.

Contractual Cash Flow Characteristics

6. In October, the IASB continued its deliberations on the clarifying amendments to IFRS 9 for assessing whether contractual cash flows of financial assets are SPPI. The focus was to consider whether any additional disclosure requirements needed to be added to IFRS 7, as well as the transition requirements and a potential effective date of the proposed amendments.

7. The IASB tentatively decided to propose adding a requirement to IFRS 7 for entities to disclose for each class of financial assets and financial liabilities not measured at fair value:

   a) a qualitative description of contractual terms that could change the timing or amount of contractual cash flows, including the nature of any contingent events;

   b) quantitative information about the range of changes to contractual cash flows that could result from these contractual terms; and

   c) the gross carrying amount of financial assets and amortised cost of financial liabilities subject to these contractual terms.

8. The IASB also tentatively decided to propose that:

   a) An entity should apply the clarifying amendments to IFRS 9 retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, except that the entity would not be required to restate comparative information.

   b) If, on the initial application of the amendments, an entity changes the classification of a financial asset, the entity should disclose:

      i. the previous measurement category and the carrying amount determined immediately before applying these amendments; and

      ii. the new measurement category and the carrying amount determined after applying these amendments.

   c) The effective date will be determined after exposure of the proposed amendments.

   d) Early application of the amendments is permitted.

9. **Next steps**: The IASB will decide whether to begin the balloting process for the Exposure Draft[2]. The UKEB Secretariat will continue to monitor IASB discussions.

Electronic cash transfers

10. The IASB considered possible standard-setting options for matters raised by the IFRS Interpretations Committee Tentative Agenda Decision- *Cash Received via Electronic Transfer as Settlement for a Financial Asset* (IFRS 9). The IASB staff paper presented in October recommended a narrow scope amendment such that when payment is made using an electronic transfer system, the timing of derecognition of the associated financial liability could be treated as an accounting policy choice if <u>all</u> the following criteria are met:

    a) the entity is irrevocably committed to the cash payment and therefore has effectively lost control of the cash;

    b) the initiation and completion of the cash transfer takes place within a short timeframe as established by market convention for such electronic payments; and

    c) completion of the cash transfer is subject only to an administrative process and not settlement risk of the entity.

11. The above principle-based approach acknowledges that in some electronic payment systems, once an entity has initiated a payment, the cash is no longer available for use by the entity and the entity has effectively lost control of the cash. Questions to consider in determining whether the entity has lost control of the cash include:

    a) whether the entity could cancel or withdraw the electronic cash transfer instruction before it is complete;

    b) whether the completion of the payment is subject to settlement risk of the entity (i.e. the entities credit risk);

    c) whether the delay between initiation and completion of the payment is purely an administrative process based on the market convention for the particular payment system; and

    d) the timeframe for completion of the payment instruction in using the specific electronic cash system and what happens in the event of failure by the bank to complete the payment.

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2 The IASB now will need to make this decision for an Exposure Draft with a wider scope, that is, including proposed amendments in relation to 'Electronic cash transfers' and 'Equity instruments and other comprehensive income'.

12. The IASB tentatively decided to develop an accounting policy choice to allow an entity to derecognise a financial liability before it delivers cash on the settlement date when specified criteria were met. During the meeting, there were mixed views as to whether the suggested approach should be expanded to other payment systems (e.g. cheques) and/or to consider the derecognition of financial assets. While some IASB members were in favour of expanding the scope others felt strongly against it. The IASB staff was instructed to further consider the question of scope and report back at a future meeting.

13. **UKEB Accounting Firms and Institutes Advisory Group (AFIAG)** – The above IASB tentative decision was discussed briefly by the UKEB AFIAG. Preliminary views were that the proposed accounting policy choice for derecognition of a financial liability seemed a sensible approach, although some felt the scope might be too narrow and should include other payment types such as cheques. In this respect, a question was raised about introducing the notion of control as part of the assessment, as that may make application to other payment types more challenging. There were also calls for further clarity on the assessment for financial assets (i.e. there seems to be confusion due to the IFRS IC Tentative Agenda Decision not being ratified), potentially by issuing application guidance as part of the same exposure draft and subject to the same effective date as that for the accounting policy choice for derecognition of financial liabilities.

14. **Next steps**: The UKEB Secretariat will continue to monitor IASB discussions on this matter, particularly around scope. In addition, the Secretariat will continue to seek input on this topic from relevant UKEB Advisory Groups as well as from the UKEB Financial Instruments Working Group when established.

Equity instruments and other comprehensive income

15. The IASB considered feedback received on the IFRS 9 requirements for equity instruments for which an entity has elected to present fair value changes in other comprehensive income (OCI). During UKEB outreach, stakeholder feedback suggested this was not a high priority issue in the UK. The UKEB comment letter, which focussed on high priority UK issues, did not recommend changes to these requirements.

16. In October, the IASB decided to make no changes to the IFRS 9 requirements on this topic. However, the IASB tentatively decided to amend related disclosures in IFRS 7, such that disclosure will be required for:

    a) The aggregated fair value of equity instruments for which the OCI presentation option is applied at the end of the reporting period; and

    b) Changes in fair value recognised in OCI during the period.

17. **Next steps**: the IASB staff was asked to explore whether an illustrative example, such as a reconciliation between the opening and closing OCI balance could be

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provided as part of the proposed amendments. The UKEB Secretariat will continue to monitor IASB discussions.

Question for the Board
1. Do Board members have any questions or comments on the Amendments to the Classification and Measurement of Financial Instruments update?

Business Combinations under Common Control[3]

UKEB Project Status: Influencing Completed **IASB Next Milestone:** Decide Project Direction	UKEB project page UKEB Final Comment Letter **(Published September 2021)**

18. The IASB has been considering feedback received on the Business Combinations under Common Control (BCUCC) discussion paper (DP). The June 2022 IASB meeting considered the question of selecting a measurement method to apply to BCUCC. The IASB noted there was significant variety in the feedback on this topic. The DP proposals for selecting a measurement method address both selection of a method and practical considerations. The June discussion primarily addressed the former, while the practical considerations are expected to be discussed at the next IASB and ASAF meetings. No decisions were made at the June meeting.

19. Appendix B provides a summary of the proposals for selecting a measurement method including practical considerations, the feedback provided in the UKEB comment letter, other feedback received by the IASB, and the IASB staff recommendations to the board on this topic.

20. The IASB discussion in June broadly supported the staff recommendation to first consider the conceptual aspects of selecting a measurement method. The staff paper recommended this would result in all BCUCC using the acquisition method, but the IASB has not yet made decisions on this. Practical considerations may then identify instances where it would be more appropriate for certain BCUCC to use a book-value method.

21. At the time of writing, we do not know what specific questions will be asked at the December ASAF meeting. The current agenda refers to seeking ASAF members' advice on how to respond to feedback on selecting the measurement method(s) to

[3] This is expected to be discussed at the December 2022 ASAF meeting.

apply. It is possible that questions will focus on proposals such as the non-controlling shareholder and related party exemptions. Broadly, under these proposals:

a) a book value method would be permitted if the receiving entity's shares were privately held and none of its non-controlling shareholders objected;

b) a book value method would be required if all the receiving entity's non-controlling shareholders were related parties to the entity.

On balance the UKEB supported these proposals subject to certain further recommendations. Further detail is provided in Appendix B. The summary of feedback in the IASB June board papers noted that some stakeholders had requested that an exemption be provided to allow use of the book value method if non-controlling shareholders were insignificant, or if the objections received to use of the book value method were from insignificant non-controlling shareholders. The term insignificant was not defined.

Questions for the Board
2. Does the Board wish to highlight to the December ASAF meeting any particular points on the practical exemptions from the acquisition method?
3. Does the Board have any other comments or questions on BCUCC?

Equity Method[4]

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction	

Project direction

22. At its October meeting, the IASB reviewed the progress of the Equity Method research project.

23. The objective of the project is:

To assess whether application problems with the equity method, as set out in IAS 28 Investments in Associates and Joint Ventures, can be

[4] This is expected to be discussed at the December 2022 ASAF meeting.

addressed in consolidated and individual financial statements by identifying and explaining the principles of IAS 28.

24. Whilst most IASB members including the Chair agreed to continue the project with its current objective and approach, a few IASB members expressed some concerns.

25. Those supporting the objective and approach of the project mentioned:

a) answering the application questions that are being considered would support the consistent application of IAS 28; and

b) divergent accounting practices in the application of the equity method do not provide users with comparable information.

26. Other IASB members expressed the following concerns:

a) One IASB member who did not support the continuation of the project explained that users focus on the valuation of equity accounted investments rather than on the information from the equity method. He also mentioned that identifying missing principles could lead to knock-on effects. Overall, whilst there are merits in addressing the application questions in terms of reducing cost for preparers, this is at the expense of other projects that the IASB could undertake.

b) Developing solutions to the application questions has taken longer than anticipated.

c) In developing solutions, the staff has more often had to use the process of identifying the missing principles. This approach contradicts the objective of the project i.e. it is not a narrow scope project as intended and is defining principles that are not currently in IAS 28.

d) The IASB should instead undertake a fundamental review of the equity method.

Question to be raised at December 2022 ASAF meeting

27. At its September meeting the IASB discussed four possible alternatives to answer the application question:

How should an investor recognise gains and losses that arise from the sale of a subsidiary to its associate applying the requirements of IFRS 10 and IAS 28?

28. The application question will be discussed at the ASAF meeting on 8 - 9 December 2022. Board views on the alternatives would help inform the UKEB's feedback.

29. The application question arises because there is an acknowledged inconsistency between the requirements of IFRS 10 *Consolidated Financial Statements* and IAS 28 for the sale of a subsidiary to an investor's associate:

a) paragraphs 25 and B97–B99 of IFRS 10 require an investor to recognise **in full** the gain or loss on the loss of control of a subsidiary, remeasuring any retained interest at fair value; whereas

b) paragraphs 28 and 30 of IAS 28 require an investor to **restrict** the gain or loss recognised to the extent of the unrelated investors' interests in an associate, that is an investor eliminates the gain on its related interest.

30. IFRS Accounting Standards do not identify whether the equity method is a one-line consolidation method or a measurement method. If the equity method is applied as a one-line consolidation method, it follows that gains and losses on upstream and downstream transactions are eliminated. Whereas if the equity method is applied as a measurement method, it is more challenging to identify why gains and losses are eliminated.

31. As the objective of elimination entries when applying the equity method is unclear and the associate is not part of the group, there is no clear basis to require the elimination of gains or losses for the investor's related interest.

32. As a result of the inconsistency in IFRS Accounting Standards, most audit firm accounting manuals state that the entity has an accounting policy choice of applying consistently either IFRS 10 or IAS 28 (although IFRS Accounting Standards do not present it as an accounting policy choice). Not all audit firm accounting manuals make a distinction based on whether the subsidiary constitutes a business or not (see alternative 4 in the table below).

33. The following table below summarises the four alternatives discussed by the IASB[5]:

Alternative	Overview of the alternative	Rationale
Alternative 1	**Full gain** would be recognised on all contributions/sales of assets or businesses, regardless of whether they are housed or not in a subsidiary. No elimination entries required.	The role of the elimination entries in IAS 28 is questionable because this elimination is a **consolidation procedure**.

[5] Agenda Paper 13C of IASB September 2022 meeting, which further explains the history of this inconsistency, an amendment issued in 2014 and the four alternatives (paragraphs 33–69), including the staff analysis, their advantages and disadvantages and which IFRS Accounting Standards would need to be amended, can be accessed here.

Alternative	Overview of the alternative	Rationale
Alternative 2	**Partial gain** would be recognised on all contributions/sales of assets or businesses, regardless of whether they are housed or not in a subsidiary. Elimination entries required.	The requirements of both IFRS 10 and IAS 28 could be applied using an 'overlay' approach[6]. Reflects the relationship between the investor and its associate without compromising the rationale underlying IFRS 10 (loss of control of the subsidiary).
Alternative 3	Is a mixture of Alternative 1 and Alternative 2. **Full gain** would be recognised on transactions out of the scope of IFRS 15 *Revenue from Contracts with Customers*. **Partial gain** would be recognised on transactions in the scope of IFRS 15. No elimination entries' requirements apply for transactions out of scope of IFRS 15.	Assumes users **disregard** gains or losses (**or value them differently**) on transactions that are not in the scope of IFRS 15 (i.e. **not** an output of an entity's ordinary activities) because those transactions are often non-recurring. Therefore, the gain or loss recognised would **not** be restricted in this case.
Alternative 4	**Full gain** would be recognised when a transaction involves a business. **Partial gain** would be recognised when a transaction involves an asset. No elimination entries' requirements apply when a transaction involves a business.	IFRS 10's requirements arose from the Business Combinations project, i.e. apply to businesses. Group of assets that do not constitute a business were not part of that project, so there is no reason to change the accounting for such contributions.

6 An overlay approach is about the general mechanics of how the Standards interact with each other. The approach effectively identifies two steps in applying the requirements in IFRS 10 and IAS 28:
Step 1—the deconsolidation requirements of IFRS 10 are applied, including how to measure the gain or loss due to such a derecognition (on the loss of control of a subsidiary).
Step 2—acquisition of the retained interest which reflects the relationship between the investor and its associate, and which results in restricting the gain or loss in Step 1.

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Next steps

34. The IASB staff are seeking input from members of the Global Preparers Forum (GPF) in November and ASAF in December on this application question and plan to bring a decision-making paper to the IASB in Q1 of 2023.

35. The UKEB Secretariat will continue monitoring the IASB discussions.

Questions for the Board
4. Do Board members have any comments on the ASAF question "how should an investor recognise gains and losses that arise from the sale of a subsidiary to its associate applying the requirements of IFRS 10 and IAS 28"? 5. Do Board members have any other questions or comments on the Equity Method update?

Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*[7]

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Request for Information H1 2023	

36. At its meeting on 3 November 2022, UKEB AFIAG members discussed the IASB's forthcoming Post-implementation Review[8] of IFRS 15 *Revenue from Contracts with Customers*[9] (the PIR).

7 This is expected to be discussed at the December 2022 ASAF meeting.

8 The IASB may take action (for example, standard setting) following a post-implementation review, if: a) there are fundamental questions (i.e., 'fatal flaws') about the clarity and suitability of the core objectives or principles in the Standard; or b) the benefits to users of financial statements of the information arising from applying the new requirements are significantly lower than expected (e.g., there is significant diversity in application); or c) the costs of applying some or all of the new requirements and auditing and enforcing their application are significantly greater than expected (or there is a significant market development since the new requirements were issued for which it is costly to apply the new requirements consistently).

9 IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 and had an effective date of 1 January 2018. The IASB's objective in undertaking the project was to improve financial reporting by creating a common revenue recognition standard for IFRS and US GAAP that clarified the principles for revenue recognition and that could be applied consistently across various transactions, industries and capital markets.

37. The IASB expects to publish its Request for Information for this project in H1 2023. In advance of this, the IASB is seeking advice from the December 2022 ASAF meeting on matters to be considered in the PIR.

38. AFIAG members were asked if they were aware of any 'fatal flaws' in IFRS 15, and if so, what those 'fatal flaws' were. The general consensus was that there were no 'fatal flaws' in IFRS 15. AFIAG members noted that the questions they received on the application of IFRS 15 related mainly to the following areas:

    a) principal / agent considerations, particularly in the gaming industry;

    b) the application of the concept of control to purchase transactions;

    c) the application of net and gross revenue recognition, due to a degree of divergence between US GAAP and IFRS 15 (although this divergence is generally accepted and understood); and

    d) the application of definitions of contract assets, receivables, contract liabilities and financial liabilities, particularly in relation to renewals accounting and modification of licences.

39. AFIAG members were asked for their views on the implementation costs and ongoing audit costs for IFRS 15. They noted that there had been significant one-off costs on implementation but that these costs had now stabilised.

40. AFIAG members also noted that IFRS 15 was a significant improvement on IAS 18 and that research[10] had found that, in some cases, IFRS 15 had led to greater collaboration between finance and business functions.

Questions for the Board
6. Do Board members have any advice on "matters to be considered in the Post-implementation Review of IFRS 15"?
7. Do Board members have any other questions or comments on the Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers* update?

[10] One Year On, What Impact Has IFRS 15 Had on Companies? ACCA Accounting and Business, November 2018

Primary Financial Statements[11]

UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Accounting Standard	UKEB project page UKEB Secretariat Comment Letter (Published September 2020)

41. The IASB is undertaking targeted outreach on its Primary Financial Statements project during Q4 2022. The targeted outreach is expected to be discussed at the December 2022 ASAF meeting. The purpose of the targeted outreach is to obtain stakeholder views on those tentative decisions made during the IASB's redeliberations that differ from the proposals in the Exposure Draft *General Presentation and Disclosures* (the ED).

42. As part of the IASB's targeted outreach, an IASB project team presented at the following UKEB Advisory Group meetings:

    a) Investor Advisory Group (IAG) on 4 October 2022;

    b) Preparer Advisory Group (PAG) on 31 October 2022; and

    c) Accounting Firms and Institutes Advisory Group (AFIAG) on 3 November 2022.

43. The following paragraphs summarise the tentative decisions on which the IASB project team presented and the feedback from the UKEB Advisory Groups.

Categories and subtotals

Tentative decision to require share of profit of equity accounted associates and joint ventures to be presented in the investing category

44. The IASB has tentatively decided to require the share of profit of equity accounted associates and joint ventures to be presented in the investing category. This tentative decision is intended to improve comparability.

45. Advisory group members were generally supportive of this tentative decision. However, one PAG member expressed concern because, in their view, share of profit of equity accounted associates and joint ventures should be categorised in the operating category when the investment in the associate or joint venture is a main business activity. We note that this concern is partially addressed by the IASB's decision to allow a new specified subtotal: 'Operating profit after share of profit of equity accounted investments.'

11 This is expected to be discussed at the December 2022 ASAF meeting.

Tentative decision on classification of items in the financing category

46. The IASB has tentatively decided to specify that the financing category will include:

    a) all income and expenses from liabilities that involve only the raising of finance;[12] and

    b) interest expense and the effects of changes in interest rates from other liabilities.

47. The IASB has also tentatively decided that:

    a) interest on cash and cash equivalents will be included in the investing category, even when there is a net expense.

    b) net interest on pensions will be included in the financing category, even when there is a net gain.

48. The tentative decisions are intended to improve comparability by specifying what types of expense should be allocated to each category. They are also intended to improve understandability by requiring finance expense to be presented in the financing category, whilst interest income is required to be presented in the investing category (apart from the exceptions noted in the previous paragraph).

49. Some IAG members noted that users are typically interested in net finance expense and questioned the rationale of the tentative decision to require presentation of gross figures in separate categories. Similarly, some members of the PAG noted that this tentative decision would prohibit presentation of net interest expense in the statement of profit or loss. In their view this prohibition would not reflect the substance of some treasury strategies, where cash and debt are linked. Previous UKEB Secretariat liaison with the IASB staff on this point has highlighted that disclosure of net finance expense in the notes is not prohibited.

50. Some AFIAG members noted that some types of transaction which were financing in nature, such as supplier finance arrangements or commodity transactions, may not be captured in the financing category under the IASB's working definition of a financing transaction, because that definition is based on receipt and repayment of cash or equity instruments by an entity (see footnote 12). The IASB project team noted this point for further consideration.

51. One AFIAG member asked whether rising interest rates and consequent increases in finance expense were likely to have changed stakeholder views on the proposals relating to finance expense in the two years since the consultation on

[12] The IASB's presentation stated that 'A transaction that involves only the raising of finance is a transaction that involves the receipt by the entity of cash, an entity's own equity instruments or a reduction in a financial liability, and the return by the entity of cash or an entity's own equity instruments.'

the ED. The IASB project team acknowledged the possibility that stakeholder views may have changed and noted that the current targeted outreach provided the opportunity for stakeholders to voice any changes in their views.

Tentative decision to explore removing the accounting policy choice for income and expenses from cash and cash equivalents for entities that provide financing to customers as a main business activity

52. The ED proposed an accounting policy choice for entities that provide financing to customers as a main business activity. The accounting policy choice was to allow such entities to include in the operating category:

    a) all finance income and expenses; or,

    b) only those items of finance income and expense which relate to the provision of financing to customers.

53. The ED proposed that income and expenses from cash and cash equivalents were included in the financing category, so the proposed accounting policy choice included income and expenses from cash and cash equivalents within its scope.

54. The IASB has tentatively decided to:

    a) retain the accounting policy choice for finance income and expenses and to confirm that the accounting policy choice does not include interest related to other liabilities (e.g. provisions) within its scope; and,

    b) explore removing the accounting policy choice for income and expenses from cash and cash equivalents, which it has tentatively decided to require to be included in the investing category.

55. The rationale for exploring the removal of the accounting policy choice for income and expenses from cash and cash equivalents is that many entities that provide financing to customers also invest as a main business activity (e.g., banks). Those entities would therefore be required to include income and expenses from cash and cash equivalents in the operating category, because investing in cash and cash equivalents is a main business activity. It would not, therefore, be appropriate to retain an accounting policy choice.

56. Some AFIAG members noted that not all entities that provide financing to customers invest as a main business activity (e.g., pay day loan entities), and that those entities would therefore not be required to classify income and expenses from cash and cash equivalents in the operating category. Such entities would therefore lose the option to present income and expenses from cash and cash equivalents in the operating category and would be required to present them in the investing category. This may not be a faithful representation because, whilst those entities may not invest as a main business activity, income and expenses from cash and cash equivalents do relate to their main business activity of providing

finance to customers. The IASB project team noted this point for further consideration.

Disaggregation

Tentative decision to explore three potential approaches for disclosure of operating expenses by nature

57. The ED proposed an analysis of all operating expenses by nature in the notes to the financial statements when presented by function in the statement of profit or loss. The IASB has tentatively decided to explore three potential approaches for the disclosure of operating expenses by nature where an entity presents operating expenses by function in the statement of profit or loss. The three potential approaches are:

    a) To require disclosure of an analysis by functional category of depreciation, amortisation and employee costs.

    b) In addition to (a), to require disclosure of an analysis by functional category of impairments and inventory write-downs.

    c) In addition to (b), to require disclosure of an analysis by functional category of any other expense separately disclosed in the notes to the financial statements.

58. The tentative decision is intended to provide the opportunity to explore whether any of the three options would provide a better balance between cost and benefit than the proposal in the ED.

59. The UKEB Secretariat comment letter highlighted the cost of the proposal in the ED for UK preparers and recommended further consideration of the costs and benefits of the proposal.

60. The IAG voiced muted support for the tentative decision. It was noted that analysis of other expenses (for example, advertising) could be more useful, and that the usefulness of the information would vary by sector and entity.

61. The PAG noted that the tentative decisions are significantly different from those in the ED and recommended full field-testing and re-exposure before reaching a final decision. One PAG member noted that option c) could have the unintended consequence of reducing disclosure of other expenses in the notes to the financial statements.

62. The AFIAG was generally supportive of the IASB's tentative decision.

Management Performance Measures (MPMs)

Tentative decision to change the definition of an MPM

63. The IASB has tentatively decided to change the definition of an MPM[13] to "a subtotal of income and expenses not specified by IFRS Accounting Standards that is used in public communications outside financial statements."

64. The IASB has also tentatively decided to include a rebuttable presumption that a subtotal used in public communications represents management's view of an aspect of an entity's financial performance.

65. The tentative decision is intended to prevent subtotals of income and expense used in public communications outside financial statements from falling outside of the definition of an MPM on the basis of an argument that they do not represent management's view of an entity's financial performance.

66. Advisory group members were generally supportive of the tentative decision.

Tentative decision to allow a simplified approach to calculating the tax impact of reconciling items between MPMs and the closest IFRS subtotal

67. The IASB has tentatively decided to allow a simplified calculation of the tax impact of reconciling items between MPMs and the nearest IFRS subtotal. The tentative decision is intended to balance cost and benefit.

68. IAG members generally viewed the tentative decision as a pragmatic solution. One PAG member noted that they currently voluntarily disclose a similar reconciliation in response to investor requests.

69. IAG and AFIAG members noted that it would be important to clarify whether the simplified approach was an accounting policy choice or whether it could be used selectively. The IASB project team confirmed that this point will be included in future IASB discussions.

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13 The ED proposed the following definition of an MPM: "Subtotals of income and expenses that (a) are used in public communications outside financial statements; (b)complement totals or subtotals specified in IFRS Standards; and (c) communicate to users of financial statements management's view of an aspect of an entity's financial performance." (ED *General Presentation and Disclosures* paragraph 103).

Questions for the Board
8. At this time we do not know what (if any) questions on the IASB's targeted outreach on Primary Financial Statements will be asked at the December 2022 ASAF meeting. Are there any particular points on the targeted outreach that the Board wishes to highlight to the forthcoming ASAF meeting?
9. Does the Board have any other questions on Primary Financial Statements?

Provisions—Targeted Improvements[14]

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction	

70. At present, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* does not specify whether the rate a company uses to discount a provision for the time value of money should reflect the entity's own credit risk. As a result, the IASB has identified that there is diversity in practice and that the effects can be significant on the amounts reported by entities with large long-term provisions – for example, provisions for asset decommissioning or environmental rehabilitation costs recognised by power generation, oil and gas, mining and telecoms companies.

71. The IASB is considering whether to develop proposals to specify in IAS 37 whether or not the discount rate should reflect the entity's own credit risk. To help develop the IASB proposals, they have asked ASAF members for input on:

    a) whether discount rates for provisions should reflect the entity's own credit risk, and if so, in what circumstances; and

    b) whether financial statements currently disclose enough information about the rates companies use to discount provisions, and if not, what information is lacking and how should IAS 37 be amended.

72. The following table summarises the key measurement inputs to discount rates in the main IFRS Accounting Standards that use present value measurement. For more detail see the IASB's project summary from its discount rates project[15]:

14 This is expected to be discussed at the December 2022 ASAF meeting.
15 Project Summary: Discount Rates (ifrs.org)

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	IAS 37[16]	IFRS 13[17]	IAS 36[18]	IAS 19[19]
Measurement basis	Amount to settle or transfer	Fair value	Value in use	Present value of estimated ultimate cost
Measurement Includes:				
Time value of money	Yes	Yes	Yes	Yes
Risk premium[20]	Implicit (mixed practice)	Yes	Yes	No
Liquidity	Unclear	Yes	Yes	Implicit
Own Credit Risk	Unclear (mixed practice)	Yes	N/A	Some (implicit)

73. In addition, IFRS 17 requires an entity to disregard its own credit risk when measuring fulfilment cashflows. This is on the basis that including the effect of the entity's own performance risk in the measurement of an insurance liability would not provide useful information[21].

74. IAS 37 paragraph 84(e) currently requires entities to disclose, for each class of provision, '*the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate*'. However, unlike other IFRS Accounting Standards[22], IAS 37 has no specific requirement for entities to disclose either the discount rates used in measurement provisions or the basis on which those rates have been determined. This might mean that entities disclose this information only if management judges disclosure is necessary to meet the overarching requirements of IAS 1.

16 IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*
17 IFRS 13 *Fair Value Measurement*
18 IAS 36 *Impairment of Assets*
19 IAS 19 *Employee Benefits*
20 The risk premium is the factor described in paragraphs 6.14(d) and 6.94 of the Conceptual Framework as the price for bearing the uncertainty that the ultimate outcome may differ from the central estimate of the cash flows.
21 IFRS 17 paragraphs 31 and BC197
22 Some IFRS Accounting Standards (IFRS 2 and IFRS 13) require entities to disclose (among other inputs or assumptions) the discount rates used in estimating the present value of the cash flows.

Question for the Board	
10.	Do Board members have any comments on the questions to be discussed at ASAF?

Topics for Noting

Rate-regulated Activities

UKEB Project Status: Active Monitoring **IASB next milestone:** IFRS Accounting Standard	UKEB project page UKEB Final Comment Letter (August 2021)

75. The IASB is continuing its redeliberations following feedback on its Exposure Draft *Regulatory Assets and Regulatory Liabilities* (RRA ED)[23].

76. The table below summarises the IASB's proposals contained in the ED, the recommendations made by the UKEB in its comment letter and the IASB's tentative decisions made at its October 2022 meeting.

Definition of allowable expenses and treatment of allowable expenses based on benchmark		
ED proposal	**UKEB comment letter[24]**	**IASB tentative decision**
a. The ED defines allowable expense as an expense, as defined in IFRS Standards, that a regulatory agreement entitles an entity to recover by adding an amount in determining a regulated rate. b. In applying this [draft] Standard, an entity shall treat that allowable	a. We agree with the proposed definitions of regulatory assets and regulatory liabilities and consider that they are consistent with the *Conceptual Framework for Financial Reporting*, as set out in paragraphs BC37- BC47 of the Basis for Conclusions.	The IASB tentatively decided that the Standard: a. retain the proposed definition of allowable expense; b. clarify that a regulatory agreement may determine the amount that compensates an entity for an allowable expense using a basis different from the basis

23 The IASB's Exposure Draft can be found here.
24 The UKEB's comment letter can be found here.

expense as relating to the supply of goods or services in the period when the entity recognises the expense applying IFRS Standards. Thus, the amount that recovers that allowable expense forms part of total allowed compensation for goods or services supplied in that period. c. These illustrative examples show that regulatory assets or regulatory liabilities arise when part or all of the total allowed compensation for the goods or services supplied in a period is included in regulated rates charged in a different period.	b. We also agree that an entity should account for regulatory assets and regulatory liabilities separately from the rest of the regulatory agreement as this is a supplementary model, applied after an entity has applied other IFRS.	the entity uses to measure the expense in accordance with IFRS Accounting Standards; and c. clarify the treatment of allowable expenses based on benchmarks and include examples to help entities identify differences in timing in those cases.
Regulatory assets and regulatory liabilities arising from difference between the regulatory recovery period and the assets' useful lives		
ED proposal	**UKEB comment letter**	**IASB tentative decision**
a. The ED defines allowable expenses as an expense, as defined in IFRS Standards, that a regulatory agreement entitles an entity to recover by adding an amount in determining a regulated rate. b. In applying this [draft] Standard, an entity shall treat that allowable expense as relating to	a. This guidance does not address the situation whereby the recovery period for an asset is longer than the period of the license agreement or pricing period under the regulatory agreement, for example, where the asset recovery period is 40 years, but the regulatory license is a 25-year rolling	The IASB tentatively decided that the Standard: a. provide guidance to help an entity determine whether its regulatory capital base and its property, plant and equipment have a direct relationship; b. retain the proposals for an entity to account for regulatory assets or

the supply of goods or services in the period when the entity recognises the expense applying IFRS Standards. Thus, the amount that recovers that allowable expense forms part of total allowed compensation for goods or services supplied in that period. c. If a regulatory agreement allows an entity to recover the cost of an asset through the regulated rates charged to customers, the depreciation expense recognised in a period, by applying IAS 16, is an allowable expense and the amount that recovers that depreciation expense forms part of the total allowed compensation for goods or services supplied in the same period. That is the case even if, under the terms of the regulatory agreement, the recovery of the depreciation expense occurs in a different period—for example, if the regulatory agreement uses a longer or shorter period of recovery than the asset's useful life.	period and the pricing period is five years. b. We would encourage the IASB to include illustrative examples that reflect these situations to ensure consistent application of the proposed requirements. These examples would be more likely to reflect situations in practice due to the long-lived nature of some of the assets.	regulatory liabilities arising from differences between the regulatory recovery period and the assets' useful lives if the entity has concluded that its regulatory capital base and its property, plant and equipment have a direct relationship; and c. require an entity that has concluded that its regulatory capital base and its property, plant and equipment have no direct relationship to provide disclosures to enable users of financial statements to understand the reasons for its conclusions.

77. Overall these tentative decisions appear broadly consistent with the recommendations in the UKEB comment letter submitted to the IASB in July 2021: (i) the proposed definition of allowable expense will be retained; (ii) guidance will

be provided to help an entity determine whether its regulatory capital base and its property, plant and equipment have a direct relationship; and (iii) illustrative examples will be included to provide better guidance for entities applying the standard.

78. The IASB also discussed advice from its Consultative Group for Rate Regulation on how the IASB could respond to feedback on the RRA ED.

79. **Next steps**—The IASB will continue its redeliberation on the feedback received on the ED at future meetings.

80. The UKEB Secretariat will continue to monitor the IASB discussions.

Post-implementation Review of IFRS 9 – Classification and Measurement

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Feedback Statement December 2022	UKEB project page UKEB Final Comment Letter (Published January 2022)

81. In October, the IASB discussed feedback on three aspects of its *Post-implementation Review of IFRS 9 Financial Instruments – Classification and Measurement*.

a) Equity instruments and other comprehensive income – Subsequent to the October meeting the IASB announced its decision to consider this topic as part of its proposed narrow-scope amendments to IFRS 9. A high-level summary of the IASB's tentative decisions on this topic is presented in *Amendments to the Classification and Measurement of Financial Instruments* above.

b) Exploring possible narrow-scope amendments for electronic cash transfers – Subsequent to the October meeting the IASB announced its decision to consider this topic as part of its proposed narrow-scope amendments to IFRS 9. A high-level summary of the IASB's tentative decisions on this topic is presented in *Amendments to the Classification and Measurement of Financial Instruments* above.

c) Business model assessment - The IASB decided to take no further action on feedback received during the PIR related to the business model requirements. This is consistent with the UKEB comment letter which noted the requirements generally work as intended and are an improvement on the previous requirements of *IAS 39 Financial Instruments: Recognition and Measurement*.

82. **Next steps**: The IASB will continue its discussions on the Post-implementation Review at a future meeting. A feedback statement is expected to be published by the IASB in December 2022. The UKEB Secretariat will continue to monitor the IASB discussions.

Goodwill and Impairment

UKEB Project Status: **IASB Next Milestone:** Decide Project Direction November 2022	UKEB project page UKEB Report: Subsequent Measurement of Goodwill - A Hybrid Model (Published September 2022)

83. At its October 2022 meeting, the IASB discussed a staff paper which set out the research undertaken by the IASB to date on goodwill and impairment. Ten of the sixty-five paragraphs in the paper summarised the UKEB goodwill research project.

84. The IASB was asked to comment on the paper ahead of its expected vote in November on whether to further explore amortisation. The general view was that the paper was comprehensive.

85. The IASB Chair asked Board Members for initial views on whether they would consider an accounting policy choice as a potential solution to the current debate on subsequent measurement of goodwill, given the intensity of views held on amortisation and impairment. He referenced FRS 10 as an example of a financial reporting regime which had allowed an accounting policy choice for subsequent measurement of goodwill (FRS 10 was effective in the UK from 1997 to 2005 and permitted either amortisation or impairment testing). The idea did not attract general support given its potential to reduce comparability between entities. However, the IASB staff agreed to include it as an option in the November IASB board paper.

86. One IASB Member suggested that the IASB's vote on whether to further explore amortisation be deferred until the IASB's intangibles project was further progressed, to allow for a more holistic consideration of recognition and measurement across all types of intangible asset, including goodwill. This suggestion was not widely supported.

87. A summary of the UKEB Technical Director's presentation of the UKEB research on subsequent measurement of goodwill was included in the IASB's published summary of the September 2022 ASAF meeting and EFRAG's published summary of the September 2022 IFASS meeting.

88. The UKEB Technical Director has been invited to present the UKEB's goodwill research project at the British Accounting and Finance Association (BAFA)

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Financial Accounting and Reporting Special Interest Group (FARSIG) January 2023 Symposium on Intangibles.

Disclosure Initiative: Targeted Standards-level Review of Disclosures

UKEB Project Status: Influencing Completed **IASB Next Milestone:** Project Summary Q1 2023	UKEB project page UKEB Final Comment Letter (Published December 2021)

89. At its October meeting the IASB board made final decisions on the Disclosure Initiative: Targeted Standards-level Review of Disclosures (the "Disclosure Pilot") project.

90. Appendix C summarises the IASB proposals, feedback provided by the UKEB in its comment letter, and the final decisions made by the IASB. We note that much of the feedback provided by the UKEB has been incorporated in the final IASB position.

Subsidiaries without Public Accountability: Disclosures

UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Accounting Standard	UKEB project page UKEB Final Comment Letter **(Published February 2022)**

91. At its October meeting, the IASB discussed the Exposure Draft's proposals[25] on the following topics:

a) Objective of the proposed IFRS Accounting Standard.

b) Approach to developing the proposed disclosure requirements.

c) Structure of the draft standard.

Objective of the draft Standard

92. The Exposure Draft (ED) proposed:

The objective of the draft Standard is to permit eligible subsidiaries to apply the disclosure requirements in this [draft] Standard and the

[25] The IASB's Exposure Draft can be found here.

recognition, measurement and presentation requirements in IFRS Standards.

93. The IASB tentatively decided to confirm the proposed objective of the proposed IFRS Accounting Standard *Subsidiaries without Public Accountability: Disclosures* (proposed standard).

94. In our Final Comment Letter (FCL) we supported the IASB's efforts to develop an IFRS Accounting Standard that would permit eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements and highlighted the benefits of the IASB's reduced disclosure regime[26].

Approach to developing the proposed disclosure requirements

95. The IASB tentatively decided to:

    a) Modify its approach to ensure that the language used in the disclosure requirements is the same as the language in full IFRS Accounting Standards.

    b) Explain in the Basis for Conclusions on the IFRS Accounting Standard:

        i. why the disclosure requirements in the *IFRS for SMEs* Accounting Standard are the appropriate starting point;

        ii. how 'cost–benefit' is considered; and

        iii. the reason for the exceptions made to the approach to developing the proposed disclosure requirements.

96. In developing the disclosure requirements in the ED, the IASB started with the disclosure requirements in the *IFRS for SMEs* Standard—a 'bottom-up approach'. In addition, the IASB compared the recognition and measurement requirements in IFRS Accounting Standards and in the *IFRS for SMEs* Accounting Standard to identify differences. Where differences are identified, the ED tailors the disclosure requirements in IFRS Accounting Standards by applying the principles in paragraph BC157 of the *IFRS for SMEs*. Accounting Standard. These principles identify the information that users find important.

97. In our FCL we suggested that the IASB reconsidered its 'bottom-up approach' and considered aligning it more closely with the 'top-down approach' that the UK experience has demonstrated as being cost effective for preparers and which provides decision-useful information for users.

98. The IASB's tentative decision to align the language used with IFRS Accounting Standards partly addresses some of our concerns with the 'bottom-up approach'—

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26 The UKEB Secretariat's Final Comment Letter can be found here.

consistency of language is deemed particularly helpful by stakeholders when transitioning to the draft standard, and better reflects the needs of the users of these accounts who are unlikely to be familiar with the disclosure requirements of the *IFRS for SMEs* Accounting Standard.

99. We also note the IASB staff recommendation to explain in the Basis for Conclusions why starting with the disclosure requirements in the *IFRS for SMEs* Accounting Standard would give the same outcome as starting with the disclosure requirements in IFRS Accounting Standards.

Structure of the draft Standard

100. The ED proposed the following structure for the proposed IFRS Accounting Standard:

a) a main body that includes the proposed disclosure requirements, organised under a subheading for each IFRS Accounting Standard;

b) Appendix A that lists the disclosure requirements in other IFRS Accounting Standards that would be replaced by the standard (i.e. no longer required); and

c) to assist application, disclosure requirements in other IFRS Accounting Standards that remain applicable are generally indicated in a footnote to the subheading of the IFRS Accounting Standard to which they relate.

101. The IASB tentatively decided to:

a) omit Appendix A proposed in the draft Standard; and

b) include cross-references to disclosure requirements that remain applicable in other IFRS Accounting Standards under each IFRS Accounting Standard subheading, rather than in footnotes.

102. We did not express strong views on Appendix A in our FCL. Whilst at the September ASAF meeting we supported retaining Appendix A, we note that removing Appendix A would (i) address concerns that listing disclosure requirements that do not apply could confuse preparers and (ii) avoid ambiguity with paragraph 16 of the proposed standard which explains that there are circumstances when an entity considers whether to provide additional disclosures to those required.

103. On the other hand, in our FCL we expressed concerns about the footnotes as it could be confusing when determining the disclosure requirements required under the proposed standard. We considered that a better solution would be to reproduce the disclosure requirements within the relevant disclosure sections in the main body of the proposed standard: this would improve understandability and accessibility and reduce the risk that these requirements are overlooked. However,

we note IASB staff arguments for not reproducing the full text of those disclosure requirements that remain applicable in the main body of the Standard: it would complicate application of the Standard and potentially lead to the inclusion of some recognition, measurement or presentation requirements in the Standard when these requirements cannot be separated from disclosure requirements. For example, paragraph 22 of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* states:

> *'A government grant may become receivable by an entity as compensation for expenses or losses incurred in a previous period. Such a grant is recognised in profit or loss of the period in which it becomes receivable, with disclosure to ensure that its effect is clearly understood*

Next steps

104. The IASB discussed and agreed on the staff recommended process to address the comments on proposed disclosure requirements in the ED. The process includes the following steps:

   a) Step 1—stratify the comments on the proposed disclosure requirements based on how they were developed;

   b) Step 2—assess comments against a set of factors: consider principles on users' information needs of non-publicly accountable entities' financial statements, cost–benefit considerations, distribution of the comment, overall usefulness of information and previous IASB discussions and decisions on the topic; and

   c) Step 3—recommend changes to the proposed disclosure requirements in the draft Standard.

105. The IASB staff plan to present the following papers in November and December 2022 to continue the IASB's redeliberation of the ED proposals:

Topics	IASB Board Meeting
Remaining aspects on the scope of the proposed standard • whether to clarify when financial statements are 'available for public use' • whether to extend the eligibility of entities that can apply the draft Standard to those within groups using local GAAPs that might be deemed equivalent to IFRS Accounting Standards.	November 2022

Topics	IASB Board Meeting
Applying the draft Standard • statement of compliance with IFRS Accounting Standards **Proposed disclosure requirements** • disclosure requirements in IFRS 8 *Operating Segments*, IFRS 17 *Insurance Contracts* and IAS *33 Earnings per Share* which remain applicable and excluded from the ED • comments received on IAS 34 *Interim Financial Reporting*	December 2022

106. The UKEB Secretariat will continue monitoring the IASB discussions.

Question for the Board
11. Do Board members have any questions or comments on the topics for noting?

IFRS Interpretations Committee

107. The UKEB's [draft] Due Process Handbook notes that the UKEB expects to respond to a limited number of tentative agenda decisions published by the IFRS Interpretations Committee (Interpretations Committee). Some factors to consider when deciding whether to respond may be:

   a) the degree of impact of the tentative agenda decision on UK companies (for example, in cases where the tentative agenda decision is expected to affect a significant number of UK companies);

   b) disagreement with the Interpretation Committee's analysis; or

   c) usefulness of the explanations and clarifications included in the tentative agenda decision.

108. The Secretariat will provide an update on the Interpretations Committee's November meeting at the next Board Meeting.

109. The following Agenda Decisions were ratified at the IASB's October meeting:

..

   a) *Multi-currency Groups of Insurance Contracts (IFRS 17 and IAS 21).*

b) *Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition.*

c) *Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16).*

Matters received but not yet presented to the Interpretations Committee

Topic	Lease payments linked to cadastral value	Consolidation of a non-hyperinflationary subsidiary by a hyperinflationary parent
Standard	IFRS 16	IAS 29 / IAS 21
Tabled	March	April
Question*	Lease payments in land leases (e.g. from municipal, regional or federal authorities) are often determined based on the valuations of the land plots recorded in the state register (cadastre). How should the lessee treat lease payments linked to cadastral value when measuring the lease liability?	How a parent with a functional and presentation currency that is hyperinflationary consolidates a subsidiary with a functional currency that is not hyperinflationary
UKEB Sec view	We recommend no action at this time. We are not aware that this is a significant issue in the UK.	We recommend no action at this time. We are not aware that this is a significant issue in the UK.

*This provides a summary only, please review the IFRS Website for the full details.

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Matters under consideration by the Interpretations Committee

TENTATIVE AGENDA DECISIONS OPEN FOR COMMENT	
Topic	None to report
Standard	
Comments due	
Question*	
Tentative conclusion*	
UKEB Sec view	

*This provides a summary only, please review the IFRS Website for the full details

TENTATIVE AGENDA DECISIONS CLOSED FOR COMMENT	
Topic	None to report
Standard	
Next Step	
Question*	
Tentative conclusion*	
Observation	

*This provides a summary only, please review the IFRS Website for the full details.

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Agenda decisions ratified by IASB

Topic	Multi-currency Groups of Insurance Contracts	Special purpose acquisition companies (SPAC): accounting for warrants at acquisition
Standard	IAS 21 / IFRS 17	IFRS 2; IAS 32
Question*	Whether, with regard to a group of insurance contracts that generate cash flows in more than one currency (a multi-currency group of insurance contracts), an entity considers currency exchange rate risk when applying IFRS 17 to identify portfolios of insurance contracts; and how an entity applies IAS 21 in conjunction with IFRS 17 in measuring a multicurrency group of insurance contracts.	Whether warrants issued by a private operating company to acquire a SPAC with certain conditions are in the scope of IFRS 2 *Share-based Payment* or IAS 32 *Financial Instruments: Presentation* at and after the acquisition.
Conclusion*	The Interpretations Committee concluded that, because paragraph 14 of IFRS 17 refers to 'similar risks' without specifying any particular types of risk, an entity is required to consider all risks—including currency exchange rate risks—when identifying portfolios of insurance contracts. However, 'similar risks' does not mean 'identical risks'. Therefore, an entity could identify portfolios of contracts that include contracts subject to different currency exchange rate risks. The entity's accounting policy on currency denomination determines which effects of changes in exchange rates are changes in financial risk accounted for applying IFRS 17 and which of these effects are exchange differences accounted for applying IAS 21.	The Interpretations Committee concluded that the entity applies IFRS 2 in accounting for instruments issued to acquire the stock exchange listing service and IAS 32 in accounting for instruments issued to acquire cash and assume any liabilities related to the SPAC warrants—those instruments were not issued to acquire goods or services and are not in the scope of IFRS 2.

*This provides a summary only, please review the IFRS Website for the full details.

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Agenda decisions ratified by IASB - continued

Topic	Lessor Forgiveness of Lease Payments
Standard	IFRS 16; IFRS 9
Question*	1. how the lessor applies the expected credit loss model in IFRS 9 to the operating lease receivable before the rent concession is granted if it expects to forgive payments due from the lessee under the lease contract; and 2. whether the lessor applies the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 in accounting for the rent concession.
Conclusion*	The Interpretations Committee concluded that, 1. before the rent concession is granted, the lessor measures expected credit losses on the operating lease receivable in a way that reflects 'an unbiased and probability-weighted amount …', 'the time value of money', and 'reasonable and supportable information …' (as required by paragraph 5.5.17 of IFRS 9). This measurement of expected credit losses includes the lessor considering its expectations of forgiving lease payments recognised as part of that receivable. 2. the lessor accounts for the rent concession described in the request on the date it is granted by applying: (a) the derecognition requirements in IFRS 9 to forgiven lease payments that the lessor has recognised as an operating lease receivable; and (b) the lease modification requirements in IFRS 16 to forgiven lease payments that the lessor has not recognised as an operating lease receivable.
Observation	This Agenda Decision has been raised in preliminary stakeholder feedback for the Post-implementation Review of IFRS 9-Impairment, as some stakeholders feel it expands the concept of "expected credit loss" beyond their current understanding. The UKEB Secretariat has discussed this point with IASB staff, and the issue was raised at the September 2022 ASAF meeting by several national standard setters including the UKEB. We will explore this issue further as part of the PIR of IFRS 9 – Impairment project.

*This provides a summary only, please review the IFRS Website for the full details

Question for the Board
12. Do Board members have any questions or comments on the IFRS Interpretations Committee update?

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Appendix A. List of IASB projects

A1 This Appendix provides a list of all IASB projects[1], including links to the IASB project page and, where relevant, to the UKEB project page and any UKEB reports or comment letters.

Table Title	
Amendments to the Classification and Measurement of Financial Instruments	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft H1 2023	UKEB project page
Business Combinations under Common Control	
UKEB Project Status: Influencing Completed **IASB Next Milestone:** Decide Project Direction	UKEB project page UKEB Final Comment Letter (Published September 2021)
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Accounting Standard	UKEB project page UKEB Final Comment Letter (Published February 2022)

1 This list does not include projects related to the IFRS Interpretations Committee or IASB's projects outside the UKEB's work remit (such as the Second Comprehensive Review of the IFRS for SMEs Accounting Standard).

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Disclosure Initiative—Targeted Standards-level Review of Disclosures	
UKEB Project Status: Influencing Completed **IASB Next Milestone:** Project Summary Q1 2023	UKEB project page UKEB Final Comment Letter (Published December 2021)
Dynamic Risk Management	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft	
Equity Method	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction	
Extractive Activities	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction H1 2023	
Financial Instruments with Characteristics of Equity	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft	

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Goodwill and Impairment	
UKEB Project Status: **IASB Next Milestone:** Decide Project Direction November 2022	UKEB project page UKEB Report: Subsequent Measurement of Goodwill - A Hybrid Model (Published September 2022)
Lack of Exchangeability (Amendments to IAS 21)	
UKEB Project Status: **IASB Next Milestone:** Decide Project Direction	UKEB project page UKEB Final Comment Letter (Published September 2021)
Non-current Liabilities with Covenants (Amendments to IAS 1)	
UKEB Project Status: Endorsement Project **IASB Next Milestone:** IFRS Accounting Standard Amendment October 2023	
Post-implementation Review of IFRS 15 Revenue from Contracts with Customers	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Request for Information H1 2023	
Post-implementation Review of IFRS 9—Classification and Measurement	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Feedback Statement December 2022	UKEB project page UKEB Final Comment Letter (Published January 2022)

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Post-implementation Review of IFRS 9—Impairment	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Request for Information H1 2023	
Primary Financial Statements	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Accounting Standard	UKEB project page UKEB Final Comment Letter (Published September 2020)
Provisions—Targeted Improvements	
UKEB Project Status: **IASB Next Milestone:** Decide Project Direction	
Rate-regulated Activities	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Accounting Standard	UKEB project page UKEB Final Comment Letter (Published August 2021)
Supplier Finance Arrangements	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction November 2022	UKEB project page UKEB Final Comment Letter (Published March 2022)

UKEB
UK Endorsement Board

Appendix B Business Combinations Under Common Control - Summary of Discussions

DP proposal	UKEB comment letter	Other feedback received by IASB	IASB staff recommendation to June 2022 IASB meeting (based on initial analysis of feedback).
Selecting the measurement method			
The principle. Not all BCUCC have the same characteristics, so "one size does not fit all" when identifying a measurement method.	Agreed that not all BCUCC have the same characteristics and therefore will not require the same accounting solution. UK stakeholder feedback was mixed on the best way to reflect this in accounting standards. Some agreed with the proposals, others thought a book-value method should be used for all BCUCC.	Most respondents agreed that neither an acquisition or book-value method should apply in all cases. Some respondents (particularly those from China) said a book-value method should be used for all BCUCC.	Initial analysis of user information needs noted that the common information needs of users that rely on financial statements depend on the composition of those users. For a BCUCC that affects non-controlling shareholders, the information provided by the acquisition method meets those common information needs better than a book-value method. For a BCUCC that does not affect non-controlling shareholders, the information provided by either the acquisition method or a book-

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DP proposal	UKEB comment letter	Other feedback received by IASB	IASB staff recommendation to June 2022 IASB meeting (based on initial analysis of feedback).
			value method could meet the common information needs of users.
Acquisition method. The acquisition method should be applied if the BCUCC affects non-controlling shareholders of the receiving company (subject to practical concerns such as cost/benefit). The acquisition method should be required if shares are traded in a public market.	The UKEB agreed that acquisition accounting should be used when BCUCC transactions have characteristics similar to those captured by IFRS 3.	Many respondents agreed the acquisition method should be applied (subject to practical considerations) if a BCUCC affects non-controlling shareholders, or agreed subject to the wording being modified to reflect that a book-value method could be used where non-controlling shareholders were insignificant. However, many respondents disagreed saying either a book-value method should be applied to all BCUCC, the method chosen should depend on the substance of the BCUCC, or the receiving entity should have a choice of which method to apply.	For a BCUCC that affects non-controlling shareholders, the information provided by the acquisition method meets those common information needs better than a book-value method. The staff paper concluded that conceptually the acquisition method should apply to all BCUCC (before consideration of practical issues). The board has not yet made a decision on this.

UKEB
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DP proposal	UKEB comment letter	Other feedback received by IASB	IASB staff recommendation to June 2022 IASB meeting (based on initial analysis of feedback).
		Almost all users (other than those from China) agreed the acquisition method should be used where the receiving company has publicly traded shares.	
Book-value method. A book-value method should be applied to all other BCUCC, including all combinations between wholly owned companies.	The UKEB welcomed the proposal to use a book-value method in some circumstances, as this was proportionate for transactions internal to the group and where users to not need to rely solely on general purpose financial statements. The UKEB recommended that entities that qualify for the book-value method should have an option to use the acquisition method.	Many respondents agreed that the book-value method should apply to BCUCC that do not affect non-controlling shareholders. However, many disagreed, saying either the acquisition method should be used in certain circumstances (for example when the receiving entity has listed debt), or that the receiving entity should have a choice of method.	For a BCUCC that does not affect non-controlling shareholders, the information provided by either the acquisition method or a book-value method could meet the common information needs of users. The IASB June meeting did not consider the circumstances in which a book-value method could be used.

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DP proposal	UKEB comment letter	Other feedback received by IASB	IASB staff recommendation to June 2022 IASB meeting (based on initial analysis of feedback).
Non-controlling shareholder exemption. If the receiving company's shares are privately held it should be permitted to use a book value method if it has informed all of its non-controlling shareholders that it proposes to use a book value method and none have objected.	On balance the UKEB supported the optional non-controlling shareholder exemption, but highlighted that a similar negative consent requirement for the reduced disclosure framework in the UK Financial Reporting Standard FRS101 experienced practical issues in application, and was subsequently changed. The UKEB agreed this exemption should not be available to publicly traded companies.	Many respondents agreed, or generally agreed subject to the wording being modified to disregard objecting non-controlling shareholders where those shareholders are insignificant. However, many respondents said the optional exemption may be challenging to apply or requested application guidance.	Practical considerations/ exemptions were not discussed at the IASB June meeting.
Related party exemption. The receiving entity should be required to use a book-value method if all its non-controlling shareholders are related parties to the entity.	The UKEB agreed a related party exemption should be made available as related parties were less likely to rely solely on general purpose financial statements. However,	Respondents' views were mixed. Most who disagreed said some related parties rely on general purpose financial statements to meet their information needs.	Practical considerations/ exemptions were not discussed at the IASB June meeting.

DP proposal	UKEB comment letter	Other feedback received by IASB	IASB staff recommendation to June 2022 IASB meeting (based on initial analysis of feedback).
	it recommended an approval process, such as that used for the non-controlling shareholder exemption, be applied.		

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Appendix C Disclosure Initiative: Targeted Standards-level Review of Disclosures - Summary of Discussions

ED proposal	UKEB comment letter	IASB decision[1]
Approach to developing disclosure requirements		
The proposed measures focused on identifying stakeholder needs, including engaging with investors earlier in the process, developing disclosure objectives, explaining what investors may do with the information provided, and considering the implications for digital reporting.	The UKEB comment letter welcomed the additional information on user needs and objectives, and acknowledged that the approach to developing disclosure requirements focused on user needs would create a useful and important addition to IASB's toolbox for standard setting.	The IASB decided to use the methods proposed in the exposure draft for developing disclosure requirements. (10/11 members agreed) The IASB decided to document the methods for developing disclosure requirements and the approach to drafting them ("Guidance to the Board"), and publish the document on the IFRS Foundation website. (10/11 members agreed).

1 Extracted from October 2022 IASB update

Approach to drafting Disclosure Requirements		
The proposals required entities to comply with overall disclosure objectives that provide information on the overall needs of users of financial statements, and specific disclosure objectives that describe detailed information needs of the users. To comply with these objectives entities would be required to use judgement to disclose all material information to meet the user needs. Each specific disclosure objective would be linked to "items of information" which an entity may, or in some cases must, disclose to satisfy the disclosure objective.	The UKEB comment letter saw merit in a principles based approach, but expressed concern at a number of practical aspects of the proposals including the consequences removing mandatory disclosures, and the impact of the proposals on smaller entities, auditors and regulators. The UKEB recommended instead a middle-ground (hybrid) approach, described in the comment letter, which included: • Obtaining a thorough understanding of user needs. • Incorporating specific disclosure objectives but supplementing this with multiple examples of how to meet each objective. • Including mandatory disclosure items sufficient to meet the disclosure objectives in simple circumstances.	The IASB decided not to adopt the proposals as written, but instead use a middle-ground approach to drafting disclosure requirements. (11/11 members agreed). IASB decided that the middle-ground approach would involve: • Providing context setting, non-prescriptive overall disclosure objectives that describe the overall needs of users of financial information. (11/11 members agreed). • Requiring an entity to comply with specific disclosure objectives that describe the detailed information needs of users of financial statements. (11/11 members agreed). • Supporting a specific disclosure objective with explanations of the assessments that users make that rely on information an entity discloses by applying the specific disclosure objective. (11/11 members agreed). • Using prescriptive language when referring to items of information that an entity is required to disclose to meet a specific disclosure objective, subject to the requirements of paragraph 31 of IAS 1. (11/11 members agreed).

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	• Placing greater emphasis on materiality judgements under IAS 1 Presentation of Financial Statements.	• Not include a cross-reference to paragraph 31 of IAS 1 Presentation of Financial Statements at the beginning of the disclosure section of each IFRS Accounting Standard. (9/11 members agreed).
Application to IFRS 13 and IAS 19		
The proposals would replace the disclosure requirements in IFRS 13 and IAS 19 with a set of new overall and specific disclosure objectives that describe user needs and require companies to exercise judgement in applying the proposed guidance.	The UKEB comment letter did not support the proposals as written, but instead supported a middle ground (hybrid) approach described in the comment letter. The UKEB expressed reservations about supporting amendments to IFRS 13 and IAS 19 without first understanding whether the Guidance to the Board described in the ED will be adopted and applied to other existing or future IASB accounting standards. The UKEB recommended that if the amendments to IFRS 13 and IAS 19 did proceed they should be subject to re-exposure.	IASB decided not to proceed with any further work on the disclosure requirements in IFRS 13 and IAS 19. (11/11 members agreed).